

NEWSLETTER FALL 2025

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New Provisions from The One Big Beautiful Bill Act (OBBB)

The One Big Beautiful Bill Act (OBBB) was signed into law on July 4th, 2025. This new legislation makes sweeping changes to taxes, government spending and certain social programs, which will affect almost every American. Perhaps the most impactful piece of the OBBB was how it addressed the Tax Cuts and Jobs Act. When the Tax Cuts and Jobs Act was signed into law in 2017, it was initially set to expire in 2026. This act had many sweeping changes, such as increasing the standard deduction, eliminating personal exemptions, adding a \$10,000 cap to the State and Local Tax (SALT) deduction and expanding the estate tax exemption, to name a few. With the passing of the OBBB, the provisions outlined in the Tax Cuts and Jobs Act have been extended into the future and will not expire in 2026.

Although this law is meant to be “permanent”, tax law is written in pencil and can be changed by new administrations.

Not only did the OBBB extend the Tax Cuts and Jobs Act, but it also made many new changes of its own. For 2025, the standard deduction increases to \$15,750, up from \$15,000 originally, for individual filers, and increases to \$31,500, up from \$30,000 originally, for married filing jointly. Also, there is a new \$6,000 deduction for seniors aged 65

and older for tax years 2025-2028. This is per person, so a married couple could deduct up to \$12,000 if each spouse is aged 65 or older. This is in addition to the regular standard deduction and the existing increased standard deduction for those aged 65 and older or blind. The senior deduction even applies to those taxpayers who itemize their returns, meaning they don't have to take the standard deduction to get this new tax benefit. The Senior deduction phases out beginning with modified adjusted gross incomes of \$75,000 for individuals and \$150,000 for those married filing jointly. It phases out completely at \$175,000 for single filers and \$250,000 for married filing jointly. The Senior deduction was added in lieu of making Social Security income tax-free, which was initially proposed but ultimately didn't get approved.

For taxpayers who itemize their tax returns, the state and local tax (SALT) deduction cap has increased to \$40,000, which is up from \$10,000 previously, effective for tax years 2025-2029. The \$40,000 SALT cap will increase by 1% each year. The increased cap on the SALT deduction phases out beginning with modified adjusted gross incomes (MAGI) of \$500,000 and it phases out at \$600,000 for both single and married filing jointly. For

Continued on the next page →

those with over \$600,000 in MAGI, their SALT Cap is limited to \$10,000. Starting in 2026, taxpayers who take the standard deduction will now be able to make deductible charitable contributions of up to \$1,000 for individuals and \$2,000 for those who are married filing jointly, without needing to itemize their tax returns.

Taxpayers who earn tip income will be able to deduct up to \$25,000 of their tip income for tax years 2025-2028. The tip income deduction begins phasing out for individual filers earning more than \$150,000 a year and joint filers earning more than \$300,000. All

tip income is still reported on an employee's W-2 and is still subject to FICA (Social Security & Medicare) taxes. Additionally, taxpayers who earn overtime income can get a \$12,500 deduction on overtime earnings for tax years 2025-2028. The deduction phases out for individual filers earning more than \$150,000 a year and joint filers earning more than \$300,000. Similarly with tip income, overtime income is still reported on an employee's W-2 and is still subject to FICA taxes.

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.



A letter from our Partners

One Year Stronger — Celebrating Our Merger Anniversary

One year ago, we united two trusted Western New York family businesses, Sgroi Financial and Lawley Insurance, to form Sgroi Lawley Group. This merger was more than a business decision; it was a commitment to serve you better, with broader expertise and deeper resources.

Over the past year, we've worked hard to integrate our teams and services to deliver a seamless experience across financial planning, investment management, and insurance solutions. Thanks to your continued trust, we've made tremendous progress.

From wealth management to risk protection, our expanded offerings now cover every stage of your financial journey. Our insurance capabilities have grown to provide more personalized and robust protection for you and your family. We have also invested in our business by adding to both our service and planning staff to support our continued growth.

We're proud of what we've built and even more excited about what's ahead. Our mission remains unchanged to help you build, protect, and grow your financial future with confidence. Thank you for being part of this journey. As always, our focus remains on doing what's right for our clients. We look forward to continuing to serve you for many years to come.

If you have any other questions, please reach out to your adviser. As always, we thank you for continuing to put your trust in Sgroi Lawley.

Sincerely,



Patrick Sgroi,
Partner



John Clouden,
Partner

Medicare Insurance Annual Election Period

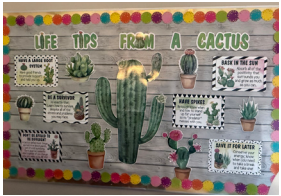
The Annual Election Period for Medicare Insurance runs from October 1st to December 7th. During this time, an individual has the ability to review their plan options and make any needed changes to maintain the best benefits that suit their needs.

IMPORTANT REMINDER
Medicare Annual Election Period:
OCT. 15 – DEC. 7

Given the widespread disruption in the market, including the discontinuation of certain plans, it is essential to remain informed about ongoing changes and make appropriate selections during the Annual Election Period to maintain your benefits throughout the year.

10TH ANNUAL JEFFREY MICHAEL SGROI GOLF TOURNAMENT

Over the past ten years, we’ve raised more than \$400,000, and we couldn’t be more grateful to our attendees, sponsors, and volunteers for their incredible love and support in honoring Jeffrey’s memory this year. Thanks to these generous contributions, we’re able to continue supporting charitable initiatives that Jeffrey deeply cared about, including college scholarships for students at West Seneca Central School District and St. Francis High School, as well as donations to The Boys & Girls Club, Kids Escaping Drugs, P.U.N.T. Foundation, Make-A-Wish, and many more.



the 2025 Pencil Project

CONGRATULATIONS TO THIS YEAR'S PENCIL PROJECT WINNERS!

We’re excited to celebrate the winners of our 8th annual teacher appreciation initiative! Five local educators were drawn at random and have each been awarded \$500 to help enhance their classrooms and provide even more enriching learning experiences for their students.



Rebecca Noworyta-Jubulis,
West Seneca East Middle School



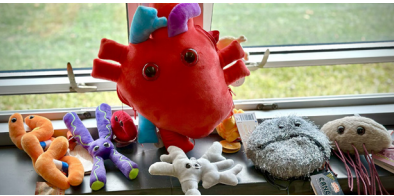
Robert Amberger,
BPS George Blackman School of Excellence

Maureen Leonard,
BPS Southside Elementary School

Nancy Fetzer,
Saints Peter & Paul Catholic School

Jill Robertson,
Westminster Community Charter School

At Sgroi Lawley, we’re proud to continue supporting the incredible teachers of Western New York and the positive impact they make in their students’ lives.



One Voice, One Vision

Working together towards a common goal

**Thank you for your continued trust.
We look forward to serving you in the years ahead.**



One Year Together: Thank You

As we mark the first anniversary of Sgroi Lawley Group, our commitment to our mission remains steadfast, and we look forward to the opportunities ahead.

From day one, our objective has been to provide an integrated approach in financial planning, investment management, and insurance solutions. For many clients, this has meant continuity with trusted advisors, familiar support teams, and established investment strategies, while benefiting from enhanced resources and specialized knowledge. Whether your needs involve wealth management or risk mitigation, our expanded services are designed to support every phase of your financial journey.

In addition to celebrating this exciting year together, we're happy to share an expansion into Tampa, FL through a strategic merger with JL Insurance/Professional Insurance Services. This development enables us to deliver consistent service to our clients with residences, businesses, or families in Florida, maintaining the high standards established across our organization.



Locally, we are honored to maintain our partnership with the Buffalo Sabres as the team's official insurance broker. This collaboration reinforces our long-standing dedication to Western New York and its community. Our efforts focus on assisting families in safeguarding their assets and supporting institutions that bring people together.



Market Letter Q4 2025

This year, uncertainty has been a key theme. Declines, such as the tariff-driven sell-off, can be uncomfortable; however, they also create opportunities to invest at more attractive valuations. On the other hand, when markets recover and climb to record levels, investors may feel uneasy even if the underlying fundamentals are still strong. In both scenarios, holding portfolios that can weather all phases of the market cycle becomes even more important.

As we begin the 4th quarter, investors are facing conflicting signals. The S&P 500 reached new all-time highs in the third quarter as markets continued to be supported by strong corporate earnings and enthusiasm for artificial

intelligence. However, the labor market has weakened since the beginning of the summer, raising concerns over the underlying health of the economy and consumers. Despite this, GDP growth has been strong, and inflation has steadied.

The S&P 500, Nasdaq, and the Dow Jones gained 8.12%, 11.41%, and 5.67% respectively, during the 3rd quarter, with all three reaching new record highs in September. For 2025, they are up 14.83%, 17.93%, and 10.47%. This comes after these indices were down over 15% from the initial high on February 5th to the low on April 8th.

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"Uncertainty actually is the friend of the buyer of long-term values"

– Warren Buffett

The Nasdaq entered into a bear market, down over 20%, and the S&P 500 and Dow hit correction territory, down over 17.50% and 15.80%. Since then, the Dow is up 24.30%, the S&P gained 35.10%, and the Nasdaq skyrocketed, up 48.90%. This is yet another example of how trying to time the market is virtually impossible, as if investors went to cash or a cash alternative, they would be up around 2% in that same timeframe (hypothetical return based on a Money Market Account).

Turning to Fixed Income, the Barclays Aggregate Bond Index gained 2% in the 3rd quarter and is up 6.13% for 2025. The gains this year can be attributed to the 10-Year Treasury Rate falling from a high of 4.80% at the beginning of the year to 4.16% as of September 30th. Rates and bond prices are inversely correlated to one another, and although the Federal Reserve did cut interest rates by 0.25% in September, this does not necessarily mean that "real rates" will fall with it.

The Bond Market, just like the stock market, is forward looking, so, this is something we are watching very closely. If rates do fall below the current floor of 4.01%, we could see bonds have a nice tailwind, but this could also mean that something has "spooked" the market, causing investors to buy bonds as a way to hedge volatility.

Conversely, if rates start to trend higher and test the 2025 high in January, this would mean that inflationary data is coming in higher than expected, or job data is coming in better-than-expected, which would weigh on markets and cause concern over what the Fed will do next.

The Fed cut interest rates by 0.25% in September, resuming the easing cycle after holding rates steady for much of the year. This reflects the Fed's dual mandate to balance inflation, which is still above the 2% target, and to balance the labor market, which has shown signs of weakness.

WHY DID THEY CUT RATES?

Many factors make this cutting cycle unique. Historically, the Fed has cut rates in response to economic crises or recessions. While there are some signs of weakness, overall growth remains stable. The recent cut reflects more of a way to normalize policy after a rapid tightening cycle that began in 2022.



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Currently, the market expects another 0.50% of cuts before year end. This will be dependent on incoming economic data; if the data shows inflationary pressures rising or the labor market steadying, investors will have to shift expectations for rate cuts, which could cause volatility.

To close, although uncertainty may feel uncomfortable, it drives long-term performance. Every year, there are varying issues that arise, whether that be inflation, trade wars, monetary/fiscal policy, recessions, geopolitical conflict, etc. Rather than viewing uncertainty as something to avoid, it is a feature of markets that creates the opportunity to position portfolios for the years ahead. The current government shutdown is the latest issue that could cause some volatility in the short term, although history shows events like this are muted in the long run.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

SGROI  **Lawley**

We would like to thank all of our clients who have been with us over the years and truly appreciate all the trust you have given us.

Have a great fall! We are always here for you if you need anything or have any questions!

716.674.6700

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FALL 2025

The Sgroi Lawley Financial Newsletter
is the quarterly newsletter of

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